



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2017 Biennium

Bill #	SB0328	Title:	Provide for higher education seeded savings accounts
Primary Sponsor:	Jones, Llew	Status:	As Amended

- | | | |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
Expenditures:				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$1,384,400	\$2,500,000	\$2,500,000	\$2,500,000
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
State Special Revenue	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
Federal Special Revenue	\$0	\$0	\$0	\$0
Other	\$0	\$0	\$0	\$0
Net Impact-General Fund Balance:	<u>(\$2,500,000)</u>	<u>(\$2,500,000)</u>	<u>(\$2,500,000)</u>	<u>(\$2,500,000)</u>

Description of fiscal impact: SB 328 provides for a transfer of lottery funds to a state special revenue account. The funds in the special revenue account are then transferred to a private purpose fund as a match for individuals who open a Montana Family Education Savings Program account in the first two years of their child's life. The bill requires marketing of the plan, annual mailings, and parental notifications.

FISCAL ANALYSIS

Assumptions:

Montana University System (MUS)

1. The transfer included in SB 328 is \$625,000 quarterly or \$2.5 million annually to the new Higher Education Generation Account. These funds are currently transferred from the Lottery to the state general fund, so this fiscal note reflects a reduction of general fund revenue of a like amount.
2. Administrative costs are limited to 5% of the transferred amount of \$2,500,000 or \$125,000.

3. The MUS will require 2.00 FTE to administer the seeded savings account program. 1.00 FTE would be a program manager and 1.00 FTE would be an outreach specialist. Salary and benefits for the positions would be \$114,441 in FY 2016 and \$113,997 in FY 2017.
4. One-time set up costs for the 2.00 FTE would be \$2,900 per position, or \$5,800.
5. Other operating expenses including mailings would be \$5,059 in FY 2016 and \$11,003 in FY 2017.
6. The administrative costs for the program will require an appropriation.
7. Funds remaining in the Higher Education Generation Account after administrative expenses, will be used to fund the transfers to individual accounts in the Education is the Best Bet Account (private purpose trust fund) for participants who open Montana Family Education Savings Plan accounts.
8. It is assumed that all parents will request to open an account at \$100 for the first two years of their child's life. Transfers to the private purpose trust fund will be \$1,259,400 (12,594 x \$100) in FY 2016 and \$2,518,800 (25,188 x \$100) in FY 2017 – FY 2019.
9. The match will only apply to new accounts opened on or after July 1, 2015.

Department of Public Health and Human Services (DPHHS)

10. The Department of Public Health & Human Services will require programming changes to the vital records management system to track and report birth information. The department estimates the programming change to be approximately 50 hours for a total cost of \$6,250.
11. The department will be required to promulgate rules to enact the requirements of this bill. It is estimated a total of eight pages will be required. The cost for administrative rules is \$200 and could be covered by existing department resources.

Department of Revenue (DOR)

12. Currently, family education savings account deposits are recorded on a line on Schedule II of the tax return. If the use of the family education savings accounts increases significantly the Department of Revenue may find it advisable to develop a separate form for this account. The cost to develop a new form is \$2,500 and could be covered by the department's existing budget.

	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>	<u>Difference</u>
<u>Fiscal Impact:</u>				
FTE	2.00	2.00	2.00	2.00
<u>Expenditures:</u>				
Personal Services	\$114,441	\$113,997	\$113,568	\$113,568
Operating Expenses	\$5,059	\$11,003	\$11,432	\$11,432
Equipment	\$5,500	\$0	\$0	\$0
Transfers	\$1,259,400	\$2,375,000	\$2,375,000	\$2,375,000
TOTAL Expenditures	<u><u>\$1,384,400</u></u>	<u><u>\$2,500,000</u></u>	<u><u>\$2,500,000</u></u>	<u><u>\$2,500,000</u></u>
<u>Funding of Expenditures:</u>				
General Fund (01)	\$0	\$0	\$0	\$0
State Special Revenue (02)	\$1,384,400	\$2,500,000	\$2,500,000	\$2,500,000
TOTAL Funding of Exp.	<u><u>\$1,384,400</u></u>	<u><u>\$2,500,000</u></u>	<u><u>\$2,500,000</u></u>	<u><u>\$2,500,000</u></u>
<u>Revenues:</u>				
General Fund (01)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
State Special Revenue (02)	\$2,500,000	\$2,500,000	\$2,500,000	\$2,500,000
TOTAL Revenues	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>	<u><u>\$0</u></u>
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>				
General Fund (01)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)	(\$2,500,000)
State Special Revenue (02)	\$1,115,600	\$0	\$0	\$0

*Sponsor's Initials*_____
*Date*_____
*Budget Director's Initials*_____
Date